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DATE PREPARED: March 1, 1999
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LB 780

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 1999-2000		FY 2000-2001	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		\$ 52,800		\$ 160,000
CASH FUNDS	\$292,500	\$ 47,500	\$ 288,900	\$ 144,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$ 292,500	\$ 100,300	\$ 288,900	\$ 304,000

*Does not include impact on political subdivisions. See narrative for political subdivision estimates.

LB 780 requires insurers to notify the Department of Motor Vehicles (DMV) when an automobile liability policy is canceled or expires. DMV is required to immediately notify the owner of a ten-day period to provide proof of insurance. An owner that operates or allows operation of a vehicle after the ten-day period will have their license, registration and license plates revoked by DMV for six months.

A law enforcement officer citing a person for such violation must immediately impound and revoke the operator's license and registration. The revocation will be automatic 30 days after the citation unless a petition for hearing is filed. The officer must provide an addressed envelope and petition form that the cited person may use to request a hearing. Law enforcement officers must issue 30-day temporary licenses and registrations at the time of a citation. DMV must serve notice of revocation by certified mail upon receipt of an officer's report. The notice must contain a petition form to use to request a hearing. Licenses will be automatically revoked after 30 days upon notice of DMV. If a person requests a hearing, it must be conducted within 20 days after a petition is filed. DMV may appoint hearing officers to conduct hearings. Persons who lose their license pursuant to the bill must pay a \$95 reinstatement fee (\$50 to the General Fund, \$45 to the DMV Cash Fund).

Expenditures: DMV will have increased expenditures to administer the bill. The department projects that 71,000 drivers are currently without insurance. During 1997, approximately 7,100 licenses were suspended for no proof of insurance after arrests. The DMV fiscal note assumes 25% of the persons who are notified of the requirement to provide proof of insurance to DMV will have their licenses revoked for non-compliance. It is estimated about 16,000 people will fall into this category. DMV estimates costs of about \$62,000 per year for mailings and petition forms and envelopes.

DMV estimates one-time computer programming costs of \$30,000 of cash funds in 1999-00 to implement the bill. The need for additional Office Clerk's to mail notices and revoke licenses will depend upon the actual number of persons who cancel their insurance, allow it to expire or who are cited for having no insurance. DMV estimates the need for two Office Clerk II's to comply with notification requirements. The estimated annual cost for these positions and related operating expenses is about \$51,200 of cash funds in 1999-00 and \$44,100 in 2000-01.

DMV will need additional staff to conduct hearings upon petition by persons cited under the bill. The department estimates that about 10% of the potential 71,000 drivers affected by the bill will request hearings. The agency projects hearing notification costs to be about \$17,000 per year. An additional 1.5 hearing officers will be hired by the agency to conduct hearings. Two staff assistants will also be needed. The need for these staff will depend upon the volume of hearings requested pursuant to the bill. Annual expenses for these additional staff will be about \$113,250 in 1999-00 and \$132,800 thereafter. DMV may also contract for hearing officers to conduct hearings in the county where the offense occurs. Contracted hearing officer costs may be up to \$33,000 per year.

It is estimated that law enforcement agencies will also have increased costs for temporary license and registration forms and for mailing reports to DMV.

In summary, the DMV fiscal note of increased expenditures to implement the bill seems reasonable, given the assumptions of the department relative to the number of persons who may be cited for violations and the number of potential hearings.

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Revenues: DMV assumes that 16,000 licenses will be revoked on an annual basis pursuant to the bill. Licenses will be revoked for a six month period. The department estimates that about 20% of the revoked licenses will be reinstated each year. A lower reinstatement rate is projected because it is assumed some of the persons affected by the bill will have had their licenses revoked for other violations. Assuming 3,200 licenses are reinstated each year, there will be increased revenue to the General Fund of \$160,000 and to the DMV Cash Fund of \$144,000 from reinstatement fees. A lower amount (33%) is projected for 1999-00 due to a September 1999 implementation date and a six-month suspension period.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	David Spatz	2/2/99	471-4179
COMMENTS			
<u>NE State Patrol</u> – Concur, no fiscal impact.			